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AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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TO: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Yvonne B. Burke
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley 
Auditor-Controller

**SUBJECT: DPSS CALWORKS STAGE ONE CHILD CARE ALTERNATIVE
PAYMENT PROVIDER PAYMENT SYSTEM CONTROLS REVIEW**

In July 2003, your Board instructed all County departments/districts to identify contractors who had the ability to authorize County payments. The Department of Public Social Services (DPSS) identified the State's CalWORKS Stage One Child Care Program Alternative Payment Program agencies (APPs or Agencies) as being able to authorize County payments.

DPSS administers the Stage One Child Care Program (CCP), and since January 2001, has contracted with APPs to determine program eligibility, assist parents in selecting care providers and issue payments to child care providers. DPSS currently has contracts with 13 APPs. During February 2007, the APPs issued \$8.9 million in child care payments.

In June 2004, Auditor-Controller staff conducted a limited review of payment controls at two APPs, and noted control weaknesses that could allow inappropriate payments to occur. As a result, we recommended that DPSS contract through our Master Agreement for an independent review of the payment controls at all 13 APPs, including a follow-up review to ensure that all recommendations from the initial review were implemented by the APPs.

In response to our recommendation, DPSS contracted with Conrad and Associates, LLP, (now Mayer Hoffman McCann, PC) to review the APPs' payment controls. Conrad's review was divided into the following phases:

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- Phase I Review of APPs Payments Systems
- Phase II Evaluation of GEARS Data Transfer System
- Phase III Evaluation of DPSS' Payment Reimbursement Process
- Phase IV Follow-Up Reviews

SUMMARY OF FINDINGS

Conrad's review of the payment controls at the 13 APPs resulted in a total of 83 recommendations (see Attachment). Conrad subsequently followed up on the recommendations and noted that 61 (73%) had been implemented, 10 (12%) had been partially implemented and 12 (15%) had not been implemented. Conrad's review focused on payments controls at the APPs, and was not intended to test for inappropriate payments. However, Conrad did not indicate that they had identified any inappropriate payments at the APPs.

Conrad also reviewed the APPs' GEARS Data Transfer System (GDTS). Conrad's report on GDTS included three recommendations which will be addressed by the Child Care Alliance of Los Angeles (Alliance), which represents the APPs and operates the GDTS. Conrad's review of DPSS' Payment Reimbursement Process contained no recommendations to change the Process.

DPSS has requested each of the APPs and the Alliance to provide a Corrective Action Plan (CAP) indicating the actions they will take to fully implement any partially implemented and not implemented recommendations, and the expected implementation dates for those recommendations. DPSS' Contracts Management Division will monitor the APPs' and Alliance's compliance with the CAP as part of their quarterly reviews.

REVIEW OF REPORT

Conrad discussed the results of their initial and follow-up reviews with each APP. They also discussed their reviews of GDTS and the Reimbursement Process with the Alliance and DPSS, respectively. Because of the number of APPs, copies of the individual reports are not attached. Please call if you have any questions, or your staff may call Mike McWatters at (626) 293-1109 to obtain copies of any of the reports.

JTM:JLS:MWM
Attachment

c: David E. Janssen, Chief Administrative Officer
Philip L. Browning, Director, Department of Public Social Services
Sachi A. Hamai, Executive Officer, Board of Supervisors
Public Information Office
Audit Committee

**DPSS CALWORKS STAGE ONE CHILD CARE ALTERNATIVE PAYMENT PROVIDER (APP)
PAYMENT SYSTEM CONTROLS REVIEW – RECOMMENDATION STATUS SUMMARY**

No.	Agency Name	Phase I Review of APP Payment System Findings	Phase IV Follow Up Review Findings		
			Implemented	Partially Implemented	Outstanding
1	Child Care Information System (CCIS)	8	5	0	3
2	Center for Community and Family Services, Inc.	10	6	3	1
3	Child Care Resource Center (CCRC)	8	5	1	2
4	Children's Home Society of California	1	1	0	0
5	International Institute of Los Angeles	8	7	0	1
6	City of Norwalk	8	7	0	1
7	Connections for Children	5	4	0	1
8	Options	7	5	0	2
9	Mexican Opportunity Foundation	6	4	2	0
10	Pomona Unified	9	7	2	0
11	Crystal Stairs	4	2	1	1
12	Drew Child Development Corporation	7	6	1	0
13	Pathways	2	2	0	0
Total Findings		<u>83</u>	<u>61</u>	<u>10</u>	<u>12</u>

Phase II Evaluations of Gears Data Transfer System (1)

1	Child Care Alliance of Los Angeles	<u>3</u>
Total Findings		<u>3</u>

Phase III Review of DPSS' Payment Reimbursement Process (1)

1	Department of Public Social Services	<u>0</u>
Total Findings		<u>0</u>

- (1) The Work Order did not require Conrad to follow up on the status of recommendations for GDTS or DPSS' Payment Reimbursement process.